


ALASKA Growth Capital

APR 8 2002

MEMORANDUM

TO: Denali Commission

FROM: David Hoffman, CEO, Alaska Growth Capital 

RE: **Summary of Year 2001 and Request for Additional Funding**

DATE: April 7, 2002

This memorandum and the attached data are intended to provide information relevant to the deliberations of the Commission at the meeting scheduled for April 25. I look forward to attending that meeting and to providing answers to questions that you may have regarding the operations of Alaska Growth Capital.

Summary of 2001 performance

The year 2001 was a successful one for Alaska Growth Capital in terms of meeting the performance measures established by the Denali Commission. We exceeded the highest performance level ("Outstanding") for three of the measures and achieved the "Satisfactory" level for one measure. Our performance for 2001 is summarized below:

Measure	"Outstanding" level	Actual performance	Amount above "Outstanding"	Achievement level
Total disbursements to "distressed" communities	\$1,013,625	\$3,625,000	\$2,611,375	Outstanding
Total disbursements to AK-owned businesses in "distressed" communities	\$894,375	\$3,625,000	\$2,730,625	Outstanding
Annual payroll at client companies	\$620,100	\$493,750	(\$126,350)	Satisfactory
Technical assistance engagements in "distressed" communities	24	27	3	Outstanding

We **did not** count loans of \$300,000 and \$740,000 to Alaska Fisheries, LLC in our "distressed community" loan total for 2001. Alaska Fisheries owns and operates a 178-foot catcher - processor vessel with an official homeport of Adak. Although Adak is identified as a "distressed community" we felt that the vessel operated outside of the community and therefore should not be counted as a "distressed community" loan. If we had included these loans we would have exceeded the "Outstanding" benchmark for all accountability measures.

Outlook for 2002

We are in the process of implementing a plan to aggressively increase our lending volume in 2002. We plan to double volume from \$6,957,700 in 2001 to \$15,000,000 in 2002. We are basing this rapid growth plan on the market need that we have identified.

We think that a \$15 million goal is very realistic. We have closed on \$2,230,000 in loans in the first quarter of 2002 and we currently have \$6,555,000 in loans in the closing process. This comes to a total of \$8,785,000 of activity in the first quarter. Detailed information on current financing prospects is provided in the attached table entitled "Summary of High Probability Deals as of 4-1-02".

As our total volume grows, we also want to assure that our loans to "distressed communities", as defined by the Denali Commission, grows at a proportionate rate. Specific steps that we have taken since January 1, 2002 to increase our loan volume to "distressed communities" include the following:

- Promoted Jason Evans to V.P. Lending. In this position, he is responsible for all lending activity and will supervise two loan officers. Jason is an Iñupiaq from Nome and is a member of the Board of Sitnasuak Native Corporation.
- Hired Jade Hill of Kotzebue as a loan processor. Jade, who is an ASRC shareholder, will be involved in outreach as well as with loan processing and closings. The workforce at AGC is now 56 percent Alaska Native.
- AGC is currently recruiting another loan officer and is making a special effort to find a well-qualified Alaska Native.
- We are also recruiting another CPA-level accounting person to provide increased consulting assistance to client companies.

In addition to disbursing a substantial amount of loan funds to "distressed communities" we have also done a significant amount of lending to rural Native communities that are not included on the "distressed community" list. In 2001, loans to businesses in communities off the road system accounted for over half of our volume. Loans to off-road communities have also accounted for 63 percent of our company's total loan volume since we began operations. Historic trends in lending by market segment are summarized on the attached line graph.

Liquidity needs

As of February 31, 2002, our cash balance was \$3,143,063. Our cash reserves will drop rapidly as we close loans at a rate that will bring us to a total loan volume of \$15 million in 2002. The primary strategy that we have begun to use to avoid liquidity problems has been to originate more government guaranteed loans. We typically receive a 75 percent guarantee on SBA loans and an 80 percent guarantee on USDA rural development loans. We sell off these guaranteed portions of loans in order to replenish our cash. Our reliance on guaranteed loans has increased in recent years in an effort to maintain liquidity. This historical trend is summarized below:

Year	Guaranteed loan volume	Percent of total disbursements
1998	\$220,000	12 %
1999	\$750,000	16 %
2000	\$2,015,000	34 %
2001	\$2,925,700	33 %

There is a danger in this increased reliance on guaranteed loans. Many businesses in "distressed communities" do not qualify for government guaranteed loans. The government guarantee programs have strict requirements relating to such criteria as net worth and collateral values. An increased reliance on these programs could pull us away from our client base in rural communities. If we receive additional capitalization from the Denali Commission, we can avoid being pulled away from our core mission.

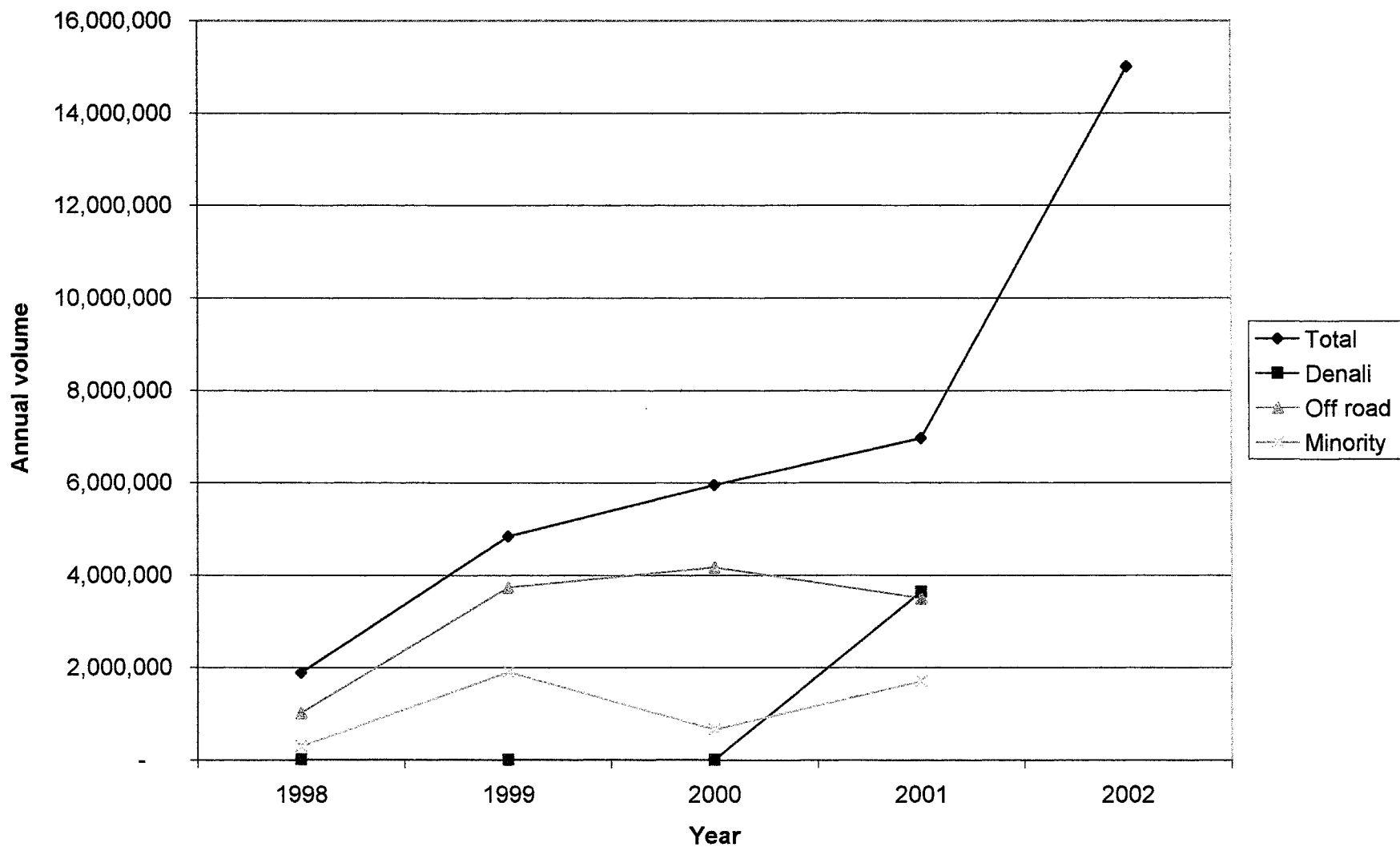
Proposal for additional funds

The Economic Development Sub Committee of the Denali Commission voted unanimously on March 6 to provide additional capitalization of \$1,500,000 to Alaska Growth Capital. We would expect that the Commission would increase our performance standards at a rate proportionate to the increase in capitalization provided. To date, the Commission has provided \$2,324,000 to Alaska Growth Capital. Additional capitalization of \$1,500,000 would constitute a 65 percent increase in capitalization provided by the Commission. We would therefore expect all of our performance standards to be increased by 65 percent.

We request the opportunity to work with Commission staff to develop an expanded list of communities that could be used in calculating technical assistance engagements. A 65 percent increase in the measure for technical assistance engagements would mean that we would have to conduct engagements with 43 businesses in distressed communities in order to obtain the "Outstanding" performance level. I don't think we could find 43 meaningful consulting engagements in the list of distressed communities that we currently have.

Attachments: Line graph of loan volume
Present accountability measures
Table entitled "Financing Disbursements"
Table entitled "Summary of High Probability Deals as of 4-1-02"
Annual Report to Denali Commission

Alaska Growth Capital: Annual Financing Volume



Alaska Growth Capital ACCOUNTABILITY MEASURES

Revised April, 2001

Measure 1: Total annual financing disbursements to businesses in communities defined as "distressed" by the Denali Commission. The list of "distressed" communities will include at a minimum the communities listed in the Commission's issue paper of September 1, 2000.

	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005	Total
Outstanding	1,013,625	1,073,250	1,132,875	1,192,500	1,252,125	5,664,375
Satisfactory	655,875	715,500	775,125	834,750	894,375	3,875,625
Minimally Acceptable	536,625	596,250	655,875	715,500	775,125	3,279,375

Measure 2: Total annual financing disbursements to **Alaskan - owned** businesses in communities defined as "distressed" by the Denali Commission.

	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005	Total
Outstanding	894,375	954,000	1,013,625	1,073,250	1,132,875	5,068,125
Satisfactory	536,625	596,250	655,875	715,500	775,125	3,279,375
Minimally Acceptable	417,375	477,000	536,625	596,250	655,875	2,683,125

Measure 3: The total annual payroll at all AGC-financed companies in distressed communities.

	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005	Total
Outstanding	620,100	691,650	763,200	834,750	906,300	3,816,000
Satisfactory	150,000	286,200	357,750	429,300	500,850	1,724,100
Minimally Acceptable	143,100	214,650	286,200	357,750	429,300	1,431,000

Measure 4: Number of technical assistance engagements provided to businesses that operate in "distressed" communities. A "technical assistance engagement" is defined as a minimum of 8 hours of assistance provided by Alaska Growth Capital. These engagements will cover a broad range of topics, as defined by the needs of the business.

	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005	Total
Outstanding	24	26	26	26	26	129
Satisfactory	17	19	19	19	19	93
Minimally Acceptable	10	12	12	12	12	57

**ALASKA GROWTH CAPITAL
FINANCING DISBURSEMENTS**

Note Date	CLIENT	Amount	Denali Town	Off Road System	Minority - Owned Business	Start - up	Business type
1998							
02/06/98	Boynton Printing	125,000		125,000			Commercial printing/ Canon dealership
04/24/98	Scientific Fishery	50,000					Software / hardware development
07/29/98	Wrangell Seafoods	150,000		150,000		150,000	Fish processing
08/07/98	High Priority	100,000					Building maintenance services database development
09/01/98	Last Frontier Guest Ranch	500,000				500,000	New dude ranch
09/03/98	High Priority	45,000			45,000		
11/19/98	Alaska Canine Cookies	175,000			175,000		Manufacture and sell to retail - pet food
12/15/98	Atqasuk Corp. - hotel	75,000		75,000	75,000		Village hotel
12/31/98	OmegaSea	132,000		132,000		132,000	Seafood processing
12/31/98	OmegaSea	528,000		528,000		528,000	Seafood processing
TOTAL 1998		1,880,000	-	1,010,000	295,000	1,310,000	
Percent			0%	54%	16%	70%	
1999							
01/06/99	Alaska Native Heritage Center	600,000			600,000	600,000	Tourism
02/08/99	Pioneer Peak	200,000				200,000	Micro-brewery / restaurant
03/05/99	Copper River Seafoods	140,000		140,000			Fish processing (high value added)

Note Date	CLIENT	Amount	Denali Town	Off Road System	Minority - Owned Business	Start - up	Business type
03/08/99	Boynton Printing	175,000		175,000			commercial printing
05/21/99	Pioneer Peak	120,000				120,000	restaurant / micro brewery
05/28/99	Adak Seafoods	700,000		700,000			Fish processing (cod)
06/11/99	Coastal Villages	1,300,000		1,300,000	1,300,000	1,300,000	Fish processing - salmon fillets
06/11/99	Copper River Seafoods	250,000		250,000			fish processing
06/16/99	Boynton Printing	300,000		300,000			commercial printing
12/03/99	Scientific Fishery	100,000					fisheries research / software
Various dates	Copper River Seafoods	865,000		865,000			Fish processing
Various dates	Last Frontier Guest Ranch	87,000				87,000	tourism
TOTAL 1999		4,837,000	-	3,730,000	1,900,000	2,307,000	
Percent			0%	77%	39%	48%	
2000							
04/21/00	LubeChem	90,000					Oil field lubricants
05/04/00	Atqasuk Corp. - hotel	75,000		75,000	75,000		hotel
05/18/00	Bettles Lodge	590,000		590,000			Well established remote lodge
06/06/00	Alaska Canine Cookies	30,000			30,000		manufacturing
06/16/00	Boynton Printing	85,000		85,000			Commercial printing
07/08/00	Alaska Rose Garnet	150,000				150,000	Placer mining of garnets
10/06/00	Alaska Mfg. Contractors	100,000				100,000	Pre fab houses
11/07/00	Westwind Fisheries	200,000		200,000		200,000	Fish processing - cod
11/13/00	OmegaSea	19,000		19,000		19,000	Fish processing - cod
11/20/00	Bayside Inn	425,000		425,000	425,000		Restaurant / hotel

Note Date	CLIENT	Amount	Denali Town	Off Road System	Minority - Owned Business	Start - up	Business type
12/01/00	Boynton Printing	50,000		50,000			commercial printing
12/04/00	OmegaSea	425,000		425,000		425,000	Fish processing - cod
12/05/00	Fresh Ale Pubs	150,000					Pizza parlor - microbrewery
12/15/00	Alaska Fisheries	50,000		50,000		50,000	Catcher processor boat
12/20/00	Alaska Fisheries	450,000		450,000		450,000	Catcher processor boat
12/20/00	Alaska Fisheries	800,000		800,000		800,000	Catcher processor boat
12/22/00	OIT	1,000,000					Incinerator for polluted soil
Various dates	Last Frontier Guest Ranch	120,000				120,000	tourism
Various dates	Adak Seafood	1,000,000		1,000,000			Catcher processor boat
Various dates	High Priority	132,000			132,000		building maintenance
TOTAL 2000		5,941,000	-	4,169,000	662,000	2,314,000	
Percent			0%	70%	11%	39%	
2001							
01/25/01	Alaska Fisheries	300,000		300,000		300,000	Catcher processor boat
02/16/01	Ulmer Burgess	1,575,700	1,575,700				Hardware store
02/23/01	Ulmer Burgess	425,000	425,000				Hardware store
03/12/01	OIT	400,000					Incinerator for polluted soil
04/18/01	Copper River Seafoods	250,000		250,000			fish processing
04/26/01	Bettles Lodge	275,000	275,000	275,000			tourism
05/18/01	Copper River Seafoods	500,000		500,000			Fish processing
05/18/01	E2R	1,075,000	1,075,000	1,075,000	1,075,000		Small air carrier

Note Date	CLIENT	Amount	Denali Town	Off Road System	Minority - Owned Business	Start - up	Business type
06/06/01	Boynton Printing	80,000		80,000			commercial printing
06/20/01	Alaska Auto/Marine	410,000					Light manufacturing - wholesale
06/21/01	Subway of Bethel	275,000	275,000	275,000	275,000	275,000	restaurant
06/25/01	Alaska Fisheries	740,000		740,000		740,000	Catcher processor boat
09/06/01	NW Cedar Structures	62,000					Housing contractor
11/02/01	Peking Restaurant	350,000			350,000		
11/02/02	Polar Wire	75,000					distributor/manufacturer
12/25/02	AK Environmental	90,000					trucking
12/05/02	Quality Cedar Products	75,000					retail
TOTAL 2001		6,957,700	3,625,700	3,495,000	1,700,000	1,315,000	
Percent		100%	52%	50%	24%	19%	
GRAND TOTAL		19,615,700	3,625,700	12,404,000	4,557,000	7,246,000	
Percent			18%	63%	23%	37%	

ALASKA GROWTH CAPITAL SUMMARY OF HIGH PROBABILITY DEALS AS OF 4-1-02

Status legend 1 = in the closing process
 2 = prequalification approval obtained from government guarantee agency
 3 = "hot prospect"

Date of First Contact	Status	Company Name	Financing Request	Denali	Rural	Minority	Community	Use of Funds
10/03/2001	1	Country Store, LLC	265,000	265,000	265,000		Nome	refinance loan, additional inventory, w/c
01/16/2002	1	Gold Rush, LLC	750,000	750,000	750,000		Nome	real estate (theater)
01/11/2002	1	Laundry Depot	390,000			390,000	Palmer	purchase business
01/24/2002	1	Kikiktagruk Inupiat Corp.	5,000,000		5,000,000	5,000,000	Kotzebue	Restructuring / expansion
12/03/2001	1	Fresh Ale Pubs, LLC	150,000				Anchorage	refinance, bldg, improvements, w/c
				6,555,000	1,015,000	6,015,000	5,390,000	
					15%	92%	82%	

Date of First Contact	Status	Company Name	Financing Request	Denali	Rural	Minority	Community	Use of Funds
12/26/2001	2	Alaska Manufacturing Contractors, LLC	2,700,000			2,700,000	Mat-Su	factory financing, buy-out
02/07/2002	2	Clover Pass Resort, LLC	1,900,000		1,900,000		Ketchikan	purchase company
12/05/2001	2	Iliamna Investments, Inc. & Iliamna Lake Lodge, Inc.	590,000	590,000	590,000		Iliamna Lake	purchase bldgs, improvements, refinance
12/03/2001	2	Wrangell Seafoods, 2nd app, 1st funded	800,000		800,000		Wrangell	equip, building
01/17/2002	2	Arctic Transportation Services, Inc.	600,000		600,000	600,000	Kotzebue	hangar, office, small hangar, debt
				6,590,000	590,000	3,890,000	3,300,000	
					9%	59%	50%	

Date of First Contact	Status	Company Name	Financing Request	Denali	Rural	Minority	Community	Use of Funds
02/04/2002	3	Alma Corporation, dba Duke's Hotel	1,262,170				Anchorage	refinance existing mortgage 1st& 2nd, debts, note
03/28/2002	3	Karen's RV	450,000				Anchorage	purchase business
03/26/2002	3	O'Malley Gardens	250,000				Anchorage	expand business
02/22/2002	3	Two Sisters Bakery	150,000	150,000			Homer	capitl construction
12/03/2001	3	Wrangell Seafoods	600,000		600,000		Wrangell	equipment / building
03/07/2002	3	Alaska Catch, LLC	6,500,000		6,500,000		Chignik	value added salmon processing
12/05/2001	3	Equipment Source Inc.	1,300,000				Fairbanks	working capital, buy bldg
09/27/2001	3	Ingram's Sport Fishing Cabins	400,000				Coopers Landing	Business Expansion, 3 cabins
01/17/2002	3	Arctic Transportation Services, Inc.	1,000,000	1,000,000	1,000,000	1,000,000	Bethel	new plane
02/14/2002	3	Village Taxi	60,000	60,000	60,000	60,000	Nome	2 Cabs/permits, equip.
02/13/2002	3	Wooden Wheel Lodge	354,000	354,000	354,000		Angoon	refinance
11/02/2001	3	Pacifica Guest House, Inc.	2,000,000	2,000,000	2,000,000	2,000,000	Bethel	w/c, convert bldg, current debt.
02/14/2002	3	Ekuk Rock Products, LLC	415,000		415,000	415,000	Dillingham	purchase equip, w/c
			14,741,170	3,564,000 24%	10,929,000 74%	3,475,000 24%		

HIGH PROBABILITY TOTAL	27,886,170	5,169,000 19%	20,834,000 75%	12,165,000 44%
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ALASKA GROWTH CAPITAL SUMMARY OF LOWER PROBABILITY DEALS AS OF 4-1-02

Status legend AA = Active
 AQ = Status still unknown

Date of First Contact	Status	Company Name	Financing Request	Denali	Rural	Minority	Community	Use of Funds
01/15/2002	AA	Alaska Beachcombers Spa Home Leisure	250,000				Anchorage	
01/14/2002	AA	Shining Mountain Plus, Inc. dba Mail Boxes, Etc,	400,000				Palmer	refinance existing debt, purchase new location
10/05/2001	AA	Silver Bay Logging, Inc.	6,000,000		6,000,000		Southeast	refinance, w/c
6,650,000				-	6,000,000	-		
				0%	90%	0%		

Date of First Contact	Status	Company Name	Financing Request	Denali	Rural	Minority	Community	Use of Funds
02/14/2002	AQ	Soldotna B&B Lodge & AK Fishing Charters	550,000				Soldotna	refinancing-private investor
02/13/2002	AQ	Thunderbird Motel	400,000					w/c, purchase ?, line of credit
01/07/2002	AQ	Alaska Glacierblend Refreshments	400,000				Anchorage	buy existing plant and equip
01/23/2002	AQ	Alaska Goldenview Homer	51,000				Homer	refinance loans, cabins
01/28/2002	AQ	Body Piercing Unlimited	100,000				Anchorage	purchase existing business
12/06/2001	AQ	Brooks Fuel, Inc.	350,000				Fairbanks	aircraft improvements, pay off loans
10/08/2001	AQ	Eskimo Air	115,000	115,000	115,000	Eskimo Air	Bethel	plane, equip.
01/29/2002	AQ	Gold Panner Embroidery, Inc.	100,000				Juneau	working capital
06/26/2001	AQ	Hageland Aviation	2,500,000	2,500,000	2,500,000	2,500,000	Bethel / UNK / Nome	debts
11/26/2001	AQ	Icy Straits Lumber	400,000					expand sawmill/equip
12/27/2001	AQ	Lightscaping Alaska, 2nd app, 1st declined	100,000				Anchorage	pay off loan to Wells Fargo, working capital
08/17/2001	AQ	Mobile Parts Hospital	?				Anchorage	begin AK operations
11/27/2001	AQ	Mt. Juneau Inn	700,000				Juneau	refinance
02/07/2002	AQ	Northern Adjusters, Inc.	?				Anchorage	
09/26/2000	AQ	Olson Air Service	400,000	400,000	400,000	400,000	Nome	refinance, buy airplane
06/21/2001	AQ	Pegasus Northwest	?				Anchorage	begin AK operations
02/06/2002	AQ	Polar Mining	550,000				Fairbanks	refinancing
01/30/2002	AQ	Quantum Investments, LLC	280,000				Huston	consolidate debt

Date of First	Status	Company Name	Financing Request	Denali	Rural	Minority	Community	Use of Funds
08/24/2001	AQ	Red Robin Restaurant	800,000				Fairbanks	equip, POS upgrade, restaurant in FBKS
10/18/2001	AQ	RK Custom, LLC	200,000				Mat-Su	working capital for timber sale
01/07/2002	AQ	Subway of Fairbanks, Inc.	750,000				Fairbanks	refinancing existing debt
12/10/2001	AQ	The Healthy Women	210,000				Fairbanks	business purchase, cash down
11/20/2001	AQ	Vibe-Tech Acquisitions, Inc.	2,300,000				Anchorage	acquisition and working capital
01/08/2002	AQ	Whatchamacallit Vending	100,000		100,000	100,000	Glennallen	equipment, working capital
			11,356,000	3,015,000	3,115,000	3,000,000		
				27%	27%	26%		

LOWER PROBABILITY TOTAL	18,006,000	3,015,000	9,115,000	3,000,000
		17%	51%	17%

**ANNUAL REPORT
TO
THE DENALI COMMISSION**

Presented By

ALASKA GROWTH CAPITAL BIDCO, INC.

**For the year Ended
December 31, 2001**

ALASKA GROWTH CAPITAL

2001 has been a year of growth for Alaska Growth Capital. With the use of the Denali Commission funding, we have been able to provide capital to start up and existing businesses and make an equity investment in a new organization. We serve people throughout Alaska, but we continue to focus on rural Alaska.

To support the growing flow of new clients we have been able to increase staff and services. Our staff includes:

- David Hoffman, CEO
- Darcy Carney, CFO
- Carrie Couey, Operations Manager
- Jason Evans, Vice President of Lending (Alaska Native)
- Patrick Williams, Development Officer (Alaska Native)
- Alice Glenn, Executive Assistant (Alaska Native)
- Cathy Millett, Bookkeeper (Alaska Native)
- Kim Huitt, [Hire date 7/23/01] Commercial Loan Processor
- Jade Hill, Commercial Loan Processor [Hire date 2/12/02] (Alaska Native)

Highlight on new hires:

- Kim Huitt, Commercial Loan Processor. Kim is a life long Alaskan who provides support to the lending staff in preparing loans for approval and closing. Commercial loans tend to be very detailed, an area which Kim excels.
- Jade Hill, Commercial Loan Processor. Jade was hired on February 12, 2002. She is from Kotzebue in northwestern Alaska. Jade will provide additional support to the lending staff and the Vice President of Lending.

PERFORMANCE GOALS AND MEASURES

Measure 1: Total annual financing disbursements to businesses in communities defined as "distressed" by the Denali Commission. The list of "distressed" communities will include at a minimum the communities listed in the Commission's issue paper of September 1, 2000.¹

¹ The Commission's list was updated as of May 1, 2001. The information reported is based on the updated list of communities in distressed areas.

In 2001 Alaska Growth Capital provided total funding in the amount of \$4,597,700 to distressed communities. This far exceeds our required benchmark for outstanding performance of \$1,013,625 by \$3,584,075.

Measure 2: Total annual financing disbursements to Alaskan - owned businesses in communities defined as "distressed" by the Denali Commission.

\$4,597,700 in loans was provided by the end of 2001 to Alaskan - owned businesses in communities defined by the Commission. The outstanding benchmark is \$894,375.

Measure 3: The total annual payroll at all Alaska Growth Capital financed companies in distressed communities.

Of the loans provided to business payroll in distressed communities payroll totaled \$1,694,604. This is income that may not have been available without funding provided by Alaska Growth Capital. The outstanding benchmark is \$620,100.

Measure 4: Number of technical assistance engagements provided to businesses that operate in "distressed" communities. A "technical assistance engagement" is defined as a minimum of 8 hours of assistance provided by Alaska Growth Capital. These engagements will cover a broad range of topics, as defined by the needs of the business.

Eight hours of technical assistance was provided to 29 businesses during 2001. Our benchmark for 2001 is 24.

ACTIVITIES AND INITIATIVES

Alaska Growth Capital continues to conduct strong community outreach through regional visits and participating in conferences on rural development. Jason Evans, a Native Alaskan from Nome, continues to work with potential clients in the Nome and Kotzebue region of the state. In 2002 Jason was promoted to Vice President of Lending.

Development Officer Patrick Williams, a Native Alaskan from Fairbanks, makes numerous trips to his hometown and the surrounding area. Patrick is working on a new

building for the Fairbanks Harley Davidson dealership. He was also instrumental in the development of our newest equity investment, Alaska Environmental, LLC.

Jason and Patrick have established a working relationship with our local USDA Rural Development office. USDA will provide guarantees on loans off the road system (which is much of rural Alaska) and in distressed areas, up to 90% of the principle balance. Three of our loans in 2001 are USDA guaranteed and we have seven pending applications so far in 2002. We continue working with the Small Business Administration through its 7(a) guaranty and the LOWDOC programs. The guaranteed portion of these loans can be sold on the secondary market allowing Alaska Growth Capital to sustain capital to lend to others. We are currently soliciting for another Development Officer to meet the demand as disadvantaged Alaskans become more familiar with Alaska Growth Capital and our mission

CONSULTING SERVICES

Alaska Growth Capital provided 29 businesses in distressed areas with eight hours or more of consulting. All but one client was provided this service free of charge.

TECHNICAL ASSISTANCE ENGAGEMENTS

January 1 – December 31, 2001

Client	Key issues	Date ended	Denali town?
Adak Seafoods	Recapitalization analysis	On-going	Yes
Alaska Fisheries, LLC	Accounting services	On-going	Yes
Aniak Property (TKC)	Building purchase analysis	10/1/01	Yes
Arctic Transportation Services, Inc.	Financial analysis	On-going	Yes
Arctic Whitney	Start-up analysis	10/30/01	Yes
Ayakulik, Inc.	Lodge purchase analysis	10/10/01	Yes
Bettles Lodge	Equipment acquisition analysis	4/26/01	Yes
City of Emmonick	Purchase analysis	On-going	Yes
Country Store	Refinance existing debt	On-going	Yes
Crow's Espresso	Start up analysis	On-going	Yes
D & D Aviation	Equipment acquisition analysis	On-going	Yes
E2R	Financial analysis / growth analysis	5/18/01	Yes
Glacier Fish Company	Vessel purchase analysis	11/30/01	Yes
Gold Rush, LLC	Financial analysis	On-going	Yes
Grantley Harbor Tours	Expansion analysis	On-going	Yes
Hageland Aviation	Financial analysis	On-going	Yes
Mail Boxes Etc. of Bethel	Project feasibility analysis	On-going	Yes
McCarthy Lodge	Growth analysis	7/16/01	Yes

Nenana Lumber Products	Expansion analysis / feasibility of new equipment acquisition	5/29/01	Yes
Nugget Construction	Financial Analysis	8/20/01	Yes
Olson Air Service	Financial analysis	On-going	Yes
Orutsaramuit Native Council	Business expansion	On-going	Yes
Pacifica House	Refinance existing debt	On-going	Yes
Subway of Bethel Inc.	Start-up advice	On-going	Yes
The Kuskokwim Corp.	Corporate structure	On-going	Yes
Toksook Bay Store	Business expansion	10/10/01	Yes
Upiq Store	Purchase analysis	On-going	Yes
Wooden Wheel Cove Lodge	Growth analysis	On-going	Yes
Yupit Training Service	Purchase analysis	On-going	Yes

Total

29

PORTFOLIO PERFORMANCE

At year-end 2001 Alaska Growth Capital's outstanding portfolio consisted of 17 loans totaling \$10,260,416.03 to 29 borrowers. These new loans range from the top of Alaska in Barrow, to the far western tip in Kotzebue, to Seward in the South Central region, to the southeast panhandle in Sitka. Our economic development goals are to reach the entire state, something we have been very successful at accomplishing.

DISTRESSED AREA LOANS

	Ulmer Burgess	E2R, LL	Subway of Bethel	Bettles Lodge, Inc.
Loans in 2001	2,000,700	1,075,000	275,000	275,000
Locations	Homer	Bethel	Bethel	Bettles
Number of Loans	2	1	1	1

DETAILED PORTFOLIO INFORMATION

As of 12/31/01

Company: Alaska Auto Marine Supply
Industry: SIC – 5063 Retail Supply
Location: Anchorage, AK
Annual Payroll: \$267,850
Estimated Number of Jobs Created or Retained: 2
Amount of Financing: \$410,000 & \$75,000
Type of Financing: Term Loan & short term note
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: Alaska Fisheries, LLC
Industry: SIC – 2092 – Seafood Processor
Location: Adak, AK
Annual Payroll: \$1,032,874
Estimated Number of Jobs Created or Retained: 25
Amount of Financing: \$450,000 & \$740,000
Type of Financing: Short Term
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: Alaska Native Heritage Center, Inc.
Industry: SIC – 7999 Amusement and recreation not elsewhere classified
Location: Anchorage, AK
Annual Payroll: \$1,646,826
Estimated Number of Jobs Created or Retained: 61
Amount of Financing: \$600,000
Type of Financing: Construction loan participation. Originated by National Bank of Alaska with First National Bank of Anchorage also participating.
Is Business a minority business: Yes
Is Business a woman owned business: No
Target Area: No

Company: Alaska Manufacturing
Industry: SIC – 3219 - Manufacturing
Location: Wasilla, AK
Annual Payroll: \$1,684,917
Estimated Number of Jobs Created or Retained: 20
Amount of Financing: \$100,000
Type of Financing: Short Term
Is Business a minority business: Yes
Is Business a woman owned business: No
Target Area: No

Company: Alaska Rose Garnet
Industry: SIC – 7011 – Mining
Location: Fairbanks, AK
Annual Payroll: \$40,254
Estimated Number of Jobs Created or Retained: 4
Amount of Financing: \$150,000
Type of Financing: Term Note
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: Atqasuk Hotel
Industry: SIC – 7011 – Hotel Catering
Location: Atqasuk, AK
Annual Payroll: \$109,060
Estimated Number of Jobs Created or Retained: 4
Amount of Financing: \$75,000
Type of Financing: Line of Credit
Is Business a minority business: Yes
Is Business a woman owned business: No
Target Area: No

Company: Bayside Restaurant & Inn
Industry: SIC – 2009
Location: Kotzebue, AK
Annual Payroll: \$45,567
Estimated Number of Jobs Created or Retained: 9
Amount of Financing: \$ 425,000
Type of Financing: SBA 7(a) guaranteed Term Loan
Is Business a minority business: Yes
Is Business a woman owned business: No
Target Area: No

Company: Bettles Lodge
Industry: SIC – 2099 - Lodge
Location: Bettles, AK
Annual Payroll: \$139,318
Estimated Number of Jobs Created or Retained: 9
Amount of Financing: \$ 590,000 & \$275,000
Type of Financing: SBA 7(a) guaranteed Term Loan & Short Term Aircraft Loan
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: Yes

Company: Boynton Printing, Inc.
Industry: SIC – 2759 Printing & Book Publishing
Location: Barrow, AK
Annual Payroll: \$139,318
Estimated Number of Jobs Created or Retained: 3
Amount of Financing: \$300,000 & \$130,000
Type of Financing: SBA 7(a) guaranteed Term Loan & Short Term note
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: Copper River Fine Seafoods, Inc.
Industry: SIC – 2092 – Seafood Processor
Location: Anchorage, AK
Annual Payroll: \$1,099,103
Estimated Number of Jobs Created or Retained: 20
Amount of Financing: \$250,000 & \$500,000
Type of Financing: SBA 7(a) guaranteed Term Loan & Line of Credit
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: E2R, LLC
Industry: SIC – 2492 – Aircraft
Location: Bethel, AK
Annual Payroll: \$0
Estimated Number of Jobs Created or Retained: 3
Amount of Financing: \$ 1,075,000
Type of Financing: Term loan
Is Business a minority business: Yes
Is Business a woman owned business: No
Target Area: Yes

Company: Fresh Ale Pubs
Industry: SIC – 5813 – Brew Pub & Eatery
Location: Anchorage, AK
Annual Payroll: \$1,721,141
Estimated Number of Jobs Created or Retained: 29
Amount of Financing: \$150,000
Type of Financing: Term loan
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: David W. King (Individually), Last Frontier Guest Ranch, LLC, Last Frontier Productions, Ltd., Last Frontier Air Ventures, Ltd.
Industry: SIC – 7032 Guest Ranch
Location: Palmer, AK
Annual Payroll: \$0
Estimated Number of Jobs Created or Retained: 4
Amount of Financing: \$ 707,000
Type of Financing: Construction loan.
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: Northwest Cedar Structures
Industry: SIC 2492
Location: Anchorage, AK
Annual Payroll: \$0
Estimated Number of Jobs Created or Retained: 29
Amount of Financing: \$62,000
Type of Financing: Short Term Interim Financing
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: OIT, Inc.
Industry: SIC – 4900 Environmental Waste Processing
Location: Fairbanks, AK
Annual Payroll: \$551,759
Estimated Number of Jobs Created or Retained: 4
Amount of Financing: \$1,000,000 & \$103,000
Type of Financing: SBA 7(a) guaranteed Term Loan & Working Capital Loan
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: OmegaSea, LTD.
Industry: SIC – 2000 Manufacturer of food for pet fish
Location: Sitka, AK
Annual Payroll: \$326,895
Estimated Number of Jobs Created or Retained: 6
Amount of Financing: \$660,000 & \$425,000
Type of Financing: Term Loans
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: Peking Restaurant
Industry: SIC – 5813 – Eatery
Location: Anchorage, AK
Annual Payroll: \$54,000
Estimated Number of Jobs Created or Retained: 5
Amount of Financing: \$ 350,000
Type of Financing: USDA guaranteed Term Loan
Is Business a minority business: Yes
Is Business a woman owned business: No
Target Area: No

Company: Pioneer Peak Brewing, LLC
Industry: SIC – 5813 – Brew Pub & Eatery
Location: Wasilla, AK
Annual Payroll: \$181,984
Estimated Number of Jobs Created or Retained: 15
Amount of Financing: \$200,000 & \$120,000
Type of Financing: SBA 7(a) guaranteed Term Loan & Term note
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: Quality Cedar Products, Inc.
Industry: SIC – 2492
Location: Anchorage, AK
Annual Payroll: \$30,000 (estimated – closed 12/7/2001)
Estimated Number of Jobs Created or Retained: 15
Amount of Financing: \$75,000
Type of Financing: SBA LOWDOC
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: Scientific Fishery Systems, Inc.
Industry: SIC – 0919 Computer Software and Hardware Development
Location: Anchorage, AK
Annual Payroll: \$715,425
Estimated Number of Jobs Created or Retained: 3
Amount of Financing: \$150,000
Type of Financing: Term Loans
Is Business a minority business: No
Is Business a woman owned business: No
Target Area: No

Company: Subway of Bethel
Industry: SIC – 7221 Franchise Restaurant
Location: Bethel, AK
Annual Payroll: \$31,211
Estimated Number of Jobs Created or Retained: 7
Amount of Financing: \$275,000
Type of Financing: USDA Guaranteed Term Loan
Is Business a minority business: Yes
Is Business a woman owned business: No
Target Area: Yes

Company: Ulmer Burgess, Inc.

Industry: SIC – 5251 Retail

Location: Homer, AK

Annual Payroll: \$491,201

Estimated Number of Jobs Created or Retained: 15

Amount of Financing: \$1,575,700 & \$425,000

Type of Financing: USDA guaranteed Term Loan & Working Capital Loan

Is Business a minority business: Yes

Is Business a woman owned business: No

Target Area: Yes

Alaska Growth Capital Program

Recommendation:

Performance by Alaska Growth Capital has been Outstanding in three of its performance measures, and Satisfactory in the fourth performance measure. Staff believes that the need remains in rural communities for the type of economic development support that Alaska Growth Capital provides to rural Alaska businesses.

Based on the proposal by Alaska Growth Capital, the amount of funds available for Economic Development programs, and the mix of other project proposals for funding this year, Denali Commission staff recommends that the Commission allocate up to \$1,500,000 for the Alaska Growth Capital program.